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Egypt

Sugar

Annual

2004

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Report Highlights:
Total area and production of beet sugar and sugar cane are expected to increase this year due to delivery price increases by the government. Total sugar imports in CY 2004 are expected to increase by about 9 percent over the 2003 level.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Cairo [EG1]
[EG]

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PSD Table

Country: **Egypt**

Commodity: **Sugar**

		2003		2004		2005
	Old	New	Old	New	Old	New
Market Year Begin		**10/2003**		**10/2004**		**10/2005**
Beginning Stocks	450	450	640	304	0	319
Beet Sugar Production	300	355	320	420	0	430
Cane Sugar Production	1040	940	1045	960	0	980
TOTAL Sugar Production	1340	1295	1365	1380	0	1410
Raw Imports	600	450	500	480	0	520
Refined Imp.(Raw Val)	500	419	400	470	0	420
TOTAL Imports	1100	869	900	950	0	940
TOTAL SUPPLY	2890	**2614**	2905	**2634**	0	**2669**
Raw Exports	0	0	0	0	0	0
Refined Exp.(Raw Val)	0	0	150	0	0	0
TOTAL EXPORTS	0	0	150	0	0	0
Human Dom. Consumption	2250	2310	2255	2315	0	2318
Feed Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	2250	2310	2255	2315	0	2318
Ending Stocks	640	304	500	319	0	351
TOTAL DISTRIBUTION	2890	**2614**	2905	**2634**	0	**2669**

Production & Area Planted

Sugar cane is the main sugar crop in Egypt, representing about 73 percent of total sugar production, or 940,000 MT. Cane is grown primarily in Upper Egypt where it is well adapted to the extreme summer heat. The crop is planted in January and harvested in mid-December. The Ministry of Agriculture (MOA) estimates total cane area and production for the crop harvested in CY 2003 at 321,000 feddans (135,000 HA) and 15,276,441 MT, respectively compared to 309,000 feddans (130,000 HA) and 14,986,500 MT respectively in previous the year. Total area and production are expected to increase slightly in CY 2004, due to the successes in controlling the spread of rust scaling plant disease which caused substantial damage to farms in the past and an increase in the delivery price for cane and beet sugar by the government.

Sugar beet is a secondary sugar crop in Egypt. It currently represents about 27 percent of Egypt's total sugar production, or about 355,000 MT. Most production of beet sugar is under the control of private sector companies except for about 12,000 MT which is produced by the Sugar& Integrated Industries Company (SIIC). Beets are planted in August-September and harvested in March. Most production is located in the northern part of the Nile Delta, where the soil is quite poor and unsuitable for other crops, or in newly reclaimed desert land.

The MOA estimates the total area and production of the beet crop harvested in MY 2003 to be at about 130,000 feddans (55,000 HA),and 2,450,215 MT respectively, as compared to 154,762 feddans (37,800 HA) and 3,195,000 MT in 2002. As a result In MY 2003, some farmers shifted from beet cultivation to wheat as wheat became more lucrative crop. However, after the increase of beet delivery price by the companies, beet area for 2004 has increased by about 7 percent. This increase in beet area is mainly due to the increase of basic delivery price for farmer from LE 100 per MT in 2003 to LE 120 per MT.

Yield and Crop Quality

Egypt's sugar cane yields are among the highest in the world. The Ministry of Agriculture estimates the average yield for the 2003 crop to be about 114 MT per hectare, almost the same level as the year before. Beet yields on individual farms vary between 30 and 70 MT per hectare. In MY 2003, the average yield was about 48 MT per hectare about the same as the previous year. Favorable weather conditions and the widespread availability of fertilizers to beet growers were the main reasons behind maintaining the high yield. Industry sources expect yields in MY 2004 to be slightly higher, or remain the same as the 2003 level.

Weather does not play a major role in cane production in Egypt. The entire cane crop is irrigated and the climate is fairly consistent throughout the major production area of upper Egypt. Low temperatures at night and mild temperatures during the day continue to keep the sugar content fairly stable. Preliminary reports on the 2004 crop indicate a sugar content of about 12.6 percent, compared to 12.7 for the 2003 crop. The sugar recovery rate in 2004 is also remain unchanged from the previous year which was about 10.5 percent. The polarity of cane sugar is reported to be 99.8 percent.

Weather conditions for the beet-growing season in the Delta area have been favorable throughout most of the 2003 season. Sugar content is expected to average 17.5 percent, about the same as in 2002. The sugar recovery rate for this season is running at about 14.6 percent, about the same as in 2002.

At the present time, cane sugar production in Egypt is monopolized by one public sector company, the Sugar & Integrated Industries Company (SIIC). The SIIC was formed in 1963 when the government nationalized the eight private sugar mills that were operating at that time. Most of them had been built prior to the 1930's. The SIIC has a limited crushing capacity and can process no more than 70-80 percent of the total available sugar cane crop. However, it does have a considerable amount of excess refining capacity. In order to generate new sources of revenue to compensate for its financial losses, the company contracts some of its excess refining capacity to private importers who process raw sugar at a fee of LE 200 per ton.

Policy

GOE continues to promote sugar cane production because of its importance to the Egyptian economy. However, given the severe competition within the local agricultural economy for land and water, in addition to the country's limited cane crushing capacity, sugar cane area is unlikely to increase in the future. Thus, any growth in cane sugar production will have to be through

vertical expansion, in essence by means of increased crop yields. In this respect, the Sugar Crops Institute of the Ministry of Agriculture is currently conducting field experiments on new improved cane varieties (Giza 95/19, Giza 95/21, H94/119/72 and 94/181/1) that are known to have higher yields, are more resistant to insects and plant diseases, and that are better suited to drought conditions, all with the objective of reducing the demand for water. The government's objective is to reduce
sugar cane area, and thus water consumption, in order to save about one billion cubic meters of irrigation water. The savings in water will help develop new land reclamation projects in the South Valley. However, this objective may be difficult to achieve given the government's current pricing policy which in
actuality encourages farmers to continue growing cane. At the current average yield of 114 MT/HA, growing sugar cane represents the most lucrative farming option for farmers in upper Egypt. For sugar beet in MY 2003/04, the delivery price has been set by the beet Sugar Companies at L.E 120 per MT for sugar beet that has 16 percent sugar content, this is compared to LE 100 per MT in MY 2002/03 price. Also, companies increased the price of the premium which is paid to farmers for early delivery from LE 35 per MT to LE 45 per MT (during the first 10 days of the season). The availability of excess refining capacity at the SIIC has encouraged sugar traders to import raw sugar for domestic refining as a lucrative alternative to the importation of refined sugar. The large price differential between raw and refined sugar on the international market and the difference in customs duties between refined and raw sugar (10 percent on refined sugar verses 5 percent on raw sugar) led to a an increase in Egyptian imports of raw sugar in 2003.

Fructose Corn Syrup

The National Company for Maize Products (NCMP), a private sector company, is the only producer of high fructose corn sugar (HFCS)in Egypt. Production of HFCS in CY 2003 is estimated at 93,000 MT,out of which 73,500 MT is HFCS-55, and the balance is HFCS-42, compared to 99,552 MT in 2002. This decrease in HFCS production is came as a result of devoting part of production capacity for dry yeast. The production of dry yeast was estimated at 30,200 MT.

The NCMP has storage capacity up to 50,000 MT of corn and 6,000 MT of HFCS. The company produces about 800 kilos of HFCS from one metric ton of corn. HFCS-55 is utilized exclusively by soft drink bottlers. HFCS-42 is used in a variety of products including jams and jellies, ice cream, pastries, and canned fruits. In addition to HFCS, NCMP produces crude corn oil, corn gluten meal (60 percent protein), which is used mainly in poultry feed, and corn gluten feed (16 percent protein), which is used mainly in cattle feed.

The company imports about 200,000 MT of yellow corn annually, mostly from the U.S. The average price of HFCS-55 in 2003 was LE 1,300 per MT compared with LE 1,122 per MT in 2002. the current import price of raw sugar (from Brazil) is $ 200 C&F per Mt while the price of refined sugar is $215 C&F per MT.

Consumption & Utilization

Total sugar consumption in CY 2003 increased by 0.8 percent over the 2002 level, i.e., to 2.3 MMT. Consumption is projected to increase slightly in 2004, mostly due to increased in population. In CY 2003, locally produced sugar sold at L.E 1,400 per MT wholesale, plus a 5 percent profit margin. The GOE continues to subsidize sugar consumption under the national ration system. Under the current program, however, about 500,000 MT of refined sugar is targeted for distribution under the ration system. The balance of total consumption is freely traded. The cost of one kilogram of sugar to ration card holders is divided in two: one half kilo at a cost of LE 0.50/Kg. plus an additional half kilo at a cost of LE 0.80/Kg. Unrationed sugar is available to consumers through government outlets at LE 1.60 per Kg. The current retail price of sugar in private sector shops runs between LE 1.80 and LE 2.30 per Kg. At the present time, the government appears to be far away from removing sugar altogether from the list of subsidized commodities.

Per capita sugar consumption in Egypt at the present time is estimated at 33 Kg. per year. In 2003, approximately 80 percent of total sugar consumption, or about 1.8 million MT, was in the form of sweeteners for direct consumption. The soft drink bottling industry alone accounts for up to 60,000 MT of raw sugar utilization. The remainder is used by the confectionary industry, in addition to about 73,000 MT of HFCS-55. Most of the HFC-42 produced domestically and most imported sugar are used for baking, ice cream, jams, jellies, and in canned fruit. The onfectionary industry uses about 25,000 MT of HFCS-42 annually.

Stocks

Egypt normally maintains strategic sugar stocks equal to about 60 days of direct consumption, i.e., about 385,000 MT. Stocks are held mainly by the SIIC, or at storage facilities belonging to the Ministry of Supply. In 2003, however, total sugar stocks were estimated at 304,000 MT. The decrease in sugar stocks was the result of decreased sugar imports which occurred as a result of the devaluation of Egyptian pound over the last 12 months.

Trade

Egypt is a major importer of sugar and relies on imports to meet about one third of its total sugar requirement. In CY 2003, however, in response to declining the Egyptian pound value, coupled with shortage of foreign currency availability, imported sugar prices became expensive. Egypt imported both raw and refined sugar, totaling 869,000 MT (raw basis). This quantity was 233,000 MT less than the amount imported in 2002. Imports of raw sugar in 2003 totaled 434,596 MT while refined sugar imports totaled 434,404 MT (raw basis).

The private sector companies and the Egyptian Sugar Company (SIIC) purchase raw sugar from various sources including Cuba and Brazil, among others. Most imported raw sugar is refined at the Hawamdia plant, but small quantities also are refined at the Gerga and Kous facilities located in upper Egypt.

For 2004, total sugar imports are expected to increase by about 9 percent over the 2003 level, i.e., about 950,000 MT. The average C&F price of white sugar is currently $215 per MT compared to

$ 240 per MT in 2003 while the average C&F price of raw sugar is 195 per MT compared to $210 per MT in 2003.

The Delta Sugar Company (DSC) exported 170,000 MT of palletized beet pulp (12 percent moisture) to Europe at a price of about $140/MT, FOB Alexandria.

Import Trade Matrix

Import Trade Matrix			
Country:	**Egypt**	Units:	000 MT
Commodity:	**Sugar**		
Time period:			
Imports for	**2002**		**2003**
U.S.		U.S.	8,400
Others		Others	
Brazil	942	Brazil	579,196
E.U	84	E.U	67,678
Guatemala	41	Colombia	63,950
Thailand	28	India	50,925
		South Africa	33,250
		Cuba	29,500
		Swaziland	20,500
Total for Others	1095		844999
Others not listed	7		15,601
Grand Total	1102		869000

Tariffs

The importation of sugar is essential to domestic needs.
Tariffs on imported sugar are 5 percent and 10 percent on raw sugar and refined sugar respectively. Tariffs on other sugar in non-solid form such as syrups and molasses are 30 percent and confectionary sugar is assessed a tariff rate of 40 percent.

PSD Table Sugar Centrifugal

PSD Table

Country:	Egypt					
Commodity:	**Sugar Cane Centrifugal**					
		2003		**2004**		**2005**
	Old	New	Old	New	Old	New
Market Year Begin		**10/2003**		**10/2004**		**10/2005**
Area Planted	92	113	94	114	0	115
Area Harvested	91	112	93	113	0	114
Production	10386	12768	10614	12993	0	13110
TOTAL SUPPLY	**10386**	**12768**	**10614**	**12993**	**0**	**13110**
Utilization for Sugar	10386	12768	10614	12993	0	13110
Utilizatn for Alcohol	0	0	0	0	0	0
TOTAL UTILIZATION	10386	**12768**	10614	**12993**	0	**13110**

PSD Table Sugar Beet

PSD Table

Country:	Egypt					
Commodity:	**Sugar Beets**					
		2003		**2004**		**2005**
	Old	New	Old	New	Old	New
Market Year Begin		**10/2003**		**10/2004**		**10/2005**
Area Planted	58	55	60	59	0	60
Area Harvested	57	54	59	58	0	59
Production	2841	2592	2940	2846	0	2890
TOTAL SUPPLY	**2841**	**2592**	**2940**	**2846**	**0**	**2890**
Utilization for Sugar	2841	2592	2940	2846	0	2890
Utilizatn for Alcohol	0	0	0	0	0	0
TOTAL UTILIZATION	2841	**2592**	2940	**2846**	0	**2890**

PSD Table Sugar Non-Centrifugal

PSD Table

Country:	Egypt					
Commodity:	**Sugar Cane Non-Centrifugal**					
		2003		**2004**		**2005**
	Old	New	Old	New	Old	New
Market Year Begin		**10/2003**		**10/2004**		**10/2005**
Area Planted	35	22	36	23	0	24
Area Harvested	34	21	35	22	0	23
Production	3137	2508	2047	2622	0	2736
TOTAL SUPPLY	**3137**	**2508**	**2047**	**2622**	**0**	**2736**
Utilization for Sugar	3137	2508	2047	2622	0	2736
Utilizatn for Alcohol	0	0	0	0	0	0
TOTAL UTILIZATION	3137	**2508**	2047	**2622**	0	**2736**